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ECONOMIC AFFAIRS

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13 April 1982

CHINA REPORT ECONOMIC AFFAIRS

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ECONOMIC PLANNING

CHARACTERISTICS, BENEFITS OF INPUT-OUTPUT ECONOMIC MODEL DESCRIBED

Beijing XITONG GONGCHENG LUNWENJI [SYSTEMS ENGINEERING PAPERS] in Chinese
Jul 81 pp 77-82

[Article by Chen Xikang [7115 6932 1660], Institute of Systems Science, CAS:
"Input-Output Analysis of Economic Systems"]

[Text] A system is an organic whole with specific functions composed of interacting, interdependent components.¹ The entire national economy may be considered to be a system with the following properties:

First, it is a large-scale system comprising many sectors. The economic system may be said to be a country's largest, most important system. It is composed of material production sectors: industry, agriculture, construction, transport and commerce. Every sector can be divided into several subsectors. For example, industry can be divided into 12 subsectors: the metallurgical industry, the power industry, the coal industry, the petroleum industry, the chemical industry, the mechanical industry, the building materials industry, the forest products industry, the foodstuffs industry, the textile industry, the paper industry and other industries. Each of these subsectors can be further divided into two parts, ferrous and nonferrous metallurgy.

Second, there are complex economic and technical relationships between the various departments as regards the production and distribution of products. These manifest themselves in the fact that one department's products are generally another's starting materials. If the output of one department is insufficient, many other departments' production capacities cannot be fully utilized.

Third, the economic system as a whole has the following input-output relationships:

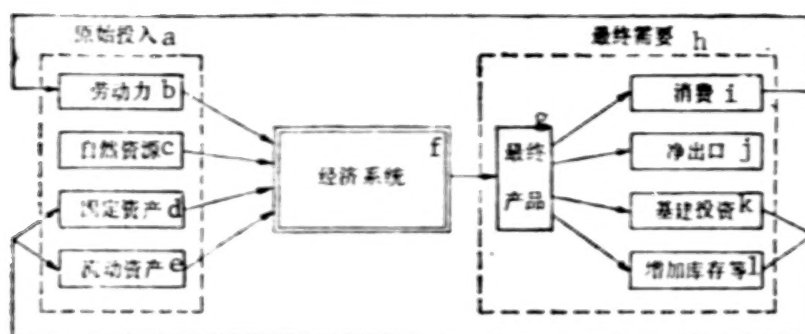


Figure 1.

Key:

- | | |
|------------------------|-------------------------------------|
| a. Primary inputs | g. Ultimate needs |
| b. Labor | h. End products |
| c. Natural resources | i. Consumption |
| d. Fixed capital | j. Net export |
| e. Circulating capital | k. Capital construction investments |
| f. Economic system | l. Increase in stocks, etc |

The primary inputs include the manpower, natural resources, fixed capital and circulating capital which a society has available to it in a certain period. The end products are the ultimate finished products of the production sector, such as consumer goods, implements of labor and the like. These are for consumption or use by society.

Fourth, many factor affects the level of development of the economic system; they can be grouped into four categories:

1. human factors, including political line, economic policy and the like;
2. material factors, such as available fixed capital, technical level and the like;
3. management quality;
4. natural conditions.

Fifth, the task of an economic system is, given the primary inputs, to maximize the output of end products in the present and subsequent periods. Accordingly, in terms of planning and control of the economic system, the following must be done:

1. comprehensive balancing of the national economy so that all departments develop proportionately and in coordination;
2. elaboration of an optimal plan for development of the national economy.

The first of these activities is generally based on the input-output technique.

The input-output technique was developed in the 1930's by the United States economist Leontieff, and was subsequently improved, developed and expanded. Currently about 90 countries have produced input-output tables. Their major effects² are as follows:

1. The Soviet Union and Eastern European countries use these models primarily for drafting plans, particularly mid-term and long-term plans. They have two effects: first, they allow the national economic plan to maintain balanced proportionality between departments, because the construction of last year's input-output table allows computation of a set of direct consumption coefficients and total consumption coefficients for the various products of the various departments. These direct consumption coefficients can then be used systematically to make the outputs of the various departments for the planning period maintain a certain balance and proportionality. In addition, they are used to develop an optimal plan for the national economy. The Soviet Union's 1971-1975 and 1976-1980 Five-Year Plans and the plan for 1981-1985 and through 1990 which is currently being developed have made use of and been based on this method.

Hungary makes the best use of the model for this purpose. Yugoslavia also uses input-output analysis for foreign exchange allocation.

2. Input-output analysis can be used for economic forecasting. For example, Cambridge University's multisector dynamic model is used to forecast the development of the British economy, and the United Nations' worldwide model used to forecast the future development of the world economy.

3. The model is used to investigate the effects of adoption of a certain major economic policy or economic measure, for example the effects of wage changes on prices and the effect of changes in energy policy on economic development.

4. It is used to study specialized social problems such as pollution, income distribution, the population problem and the like.

The current status of the subject is as follows:

1. The static model is the most basic type of input-output model. It can be further divided into the open static model, the closed static model and the partially-closed static model. Currently the open static model is in most extensive use, while the closed static model has already been abandoned. This is because the latter model assumes that there are no external variables, but only internal variables, an assumption which is not in accordance with reality. For example, in order to determine the quantity of end products used for national defense it is necessary to take account of noneconomic factors such as changes in the international situation; to determine quantities of exports and imports it is necessary to take account of supply and demand situations and price levels on foreign markets. These variables can only be treated as external variables. In addition, to determine basic input

levels it is necessary to take account not only of expansion of production in the year in question, but also of expansion in subsequent years, so that in the static model, capital construction investments must also be treated as an external variable. But the partially-closed static model is still used.

2. A dynamic model is still being developed and is not yet mature. Representative dynamic models include: the Leontieff dynamic model, the semidynamic model, the fast-lane model, the dynamic input-output program model and so on.

The dynamic model has important theoretical and practical significance. When our country is drafting the state economic plan, it needs to draft not only an annual plan, but five-year and 10-year plans, in addition to which the various annual plans must dovetail. This requires a theoretically sound, practicable dynamic input-output model. Even though there are still many problems with the dynamic model, we may expect important breakthroughs in this area in the future.

3. Regional models and interregional models are developing rapidly. Many countries have developed not only national input-output models but regional and interregional input-output models as well. The important thing in this context is that development is already moving toward a worldwide model and a multinational model. The world input-output model is currently the center of investigation and discussion.

4. Input-output models for the study of specialized social questions have been developed and applied; for example, an input-output model for pollution and pollution control, and an income distribution model merit development and utilization.

The field shows the following developmental tendencies:

1. a close connection with operations research in the development of an optimal planning model: for example, more than 40 percent of the reports and papers published in the report of the Seventh International Input-Output Conference held in April 1979 involved the drafting of optimal plans;
2. it is generally fusing with econometric modeling;
3. in some cases computers are already being used for automatic compilation of input-output tables;
4. there is a worldwide trend toward standardization in the methods and techniques of developing the tables: for example, the United Nations Statistical Office drafted standard procedures for drawing up input-output tables in 1968 and 1973, which included standard sector classifications, indices, computation methods and the like, which has provided good conditions for comparative analysis of different countries' input-output tables and for regional aggregation.

Our country did not develop national input-output tables in the past. Between August 1974 and the end of 1976, the State Planning Commission's computer center, the Operations Research Office of the Institute of Mathematics, CAS, and the Beijing Academy of Economics began to compile a 1973 input-output table in physical terms for 61 major products.*

There were three reasons for developing an input-output table in physical terms:

1. the economic significance of an input-output table in physical terms is clear, and it met specific work requirements;
2. the difficulties in collecting statistics were not as great as in developing an input-output table in value terms;
3. it was possible to avoid a series of problems involving value and output value computations.

The classification of sectors was based on the following three principles:

1. The key product principle. This involved designation of key products in terms of current economic circumstances and tasks, the key products were then used to determine which products should be included in the input-output table. According to this principle, all main raw and other materials, fuels, motive power and equipment which were needed for the production of these key products were included in the table, as were all main and other products whose production consumed these main products. When drafting the 1973 input-output table for 61 major products, we based ourselves on the current situation, taking steel, coal, grain, transport and electricity as the key products.
2. The principle of large product classes. There is an extremely wide range of varieties in the national economy, but it was undesirable to use too large range for the material input-output model. In order to make the model take in a larger part of the material area, we had to follow the principle of large product classes: the classifications should not be too fine, and products should be lumped into large classes for inclusion in the table. For example, chemical fertilizers include various varieties of nitrogen fertilizers such as ammonium nitrate, ammonium sulfate, ammonium chloride, ammonium bicarbonate, ammonia water, urea and the like (all calculated as 21 percent nitrogen), as well as various varieties of phosphorus and potassium fertilizers.

Third, the difficulty of accumulating data.

The 61 product categories, included 6 agricultural categories (grain, cotton, oil crops, sugar crops, tobacco and pigs), 14 light industrial categories (cotton yarn, cotton cloth, edible oils, sugar, sewing machines, bicycles, watches and the like), 33 heavy industrial categories, including 4 types of combustion-based motive power (electric power, raw coal, crude oil, refined

* This work and the personnel involved in it have been transferred to the Institute of Systems Science.

oil), 9 metallurgical categories (iron ore, pig iron, steel, steel materials, copper, aluminum and the like), 10 chemical engineering and building materials categories (wood, cement, sulfuric acid, caustic soda, chemical fertilizer, agricultural pesticides and the like), and 20 electrochemical products (generating equipment, electric motors, tractors, walking tractors, automobiles, trucks and the like). In addition, there was a transport category and a construction category. The table layout is illustrated in Table 1.

Table 1. Input-Output Table for 61 Major Products in This Country in 1973

产品使用 产品名称 a 单位 b	产品使用 c	中间产品 d							最终产品 k							总产品 s
		1.	2.	...	6.	小	其它	合	生活	增加	增加	新增	进口	出口	合	
		粮食 e	棉花 f	...	建设工程 g	计 h	生产消耗 i	计 j	消费 l	库存 m	固定设备 n	固定资产 o	进口 (1) p	出口 (1) q	计 r	
t 农业	1.粮食 u	亿斤 v	X ₁₁	X ₁₂	...	X _{1,6}		W ₁							Y ₁	X ₁
w 轻工业	7.棉花 x	万件 y	X ₂₁	X ₂₂	...	X _{2,6}		W ₂							Y ₂	X ₂
z 重工业	17.电力 A	亿度 B	X ₃₁	X ₃₂	...	X _{3,6}		W ₃							Y ₃	X ₃
铁路货运 C	亿吨公里 D		X ₄₁	X ₄₂	...	X _{4,6}		W ₄							Y ₄	X ₄
建筑安装工程 E	亿元 F		X ₅₁	X ₅₂	...	X _{5,6}		W ₅							Y ₅	X ₅

Key:

- | | |
|-----------------------------------------|----------------------------------|
| a. Product | q. Export (10) |
| b. Units | r. Total |
| c. Product use | s. Total products |
| d. Intermediate products | t. Agriculture |
| e. Grain | u. Grain |
| f. Cotton | v. 100 million jin |
| g. Construction and installation | w. Light industry |
| h. Subtotals | x. Cotton yarn |
| i. Other production-related consumption | y. 10,000 pieces |
| j. Total | z. Heavy industry |
| k. End products | A. Electric power |
| l. Consumption in daily life | B. 100 million kilowatt-hours |
| m. Increased stocks | C. Railway freight transport |
| n. Increased state stockpiles | D. 100 million ton-kilometers |
| o. New additions to fixed assets | E. Construction and installation |
| p. Import (1) | F. 100 million yuan |

Table 1 was used to calculate the direct consumption coefficients and total consumption coefficients for all product categories. We know that total consumption of a product is equal to the sum of direct consumption and first-stage, second-stage, etc, indirect consumption down through an indefinite stage of indirect consumption. If we let B stand for the total consumption coefficients matrix and let A stand for the direct consumption coefficients matrix, then A^2 is the first-stage indirect consumption coefficients matrix,

A^2 is the second-stage indirect consumption coefficients matrix, and A^n is the (n-1)-th-stage indirect consumption indices matrix. Thus the total consumption coefficients matrix is given by a power series of the indirect consumption coefficients matrices:

$$B = A + A^2 + A^3 + \dots + A^n + \dots = (I - A)^{-1} - I.$$

Comparing these consumption indices internationally yields many important conclusions. For example, the direct consumption indices and overall consumption indices for electric power by certain products in this country in 1973 are calculated to have been as follows:

Table 2. Electric Power Consumption Coefficients for Certain Products in This Country in 1973

	Units	Direct Consumption	Total Consumption	Total consumption Direct consumption
Steel	kwh/ton	199	690	3.47
Coal	kwh/ton	28	34	1.22
Ferroalloys	kwh/ton	4,976	5,888	1.18

According to data published abroad, many countries have far lower consumption indices than our country, particularly electric power consumption coefficients for steel. For example, the Soviet Union's direct and total consumption coefficients for the same product categories in 1966 were as follows:

Table 3. Electric Power Consumption Indices for Various Products in the Soviet Union in 1966

	Units	Direct Consumption	Total Consumption	Total consumption Direct consumption
Steel	kwh/ton	67.1	223.8	3.33
Coal	kwh/ton	22.4	32.4	1.44
Ferroalloys	kwh/ton	4,480.4	5,408.5	1.21

It is clear from these figures that our country's iron and steel industry wastes large amounts of electric power. Our electric power direct consumption coefficient for steel is 2.79 times that of the Soviet Union, while the total consumption coefficient is 3.08 times the figure for the Soviet Union. The differences between our country and the United States, Japan and West Germany are even greater. From this we can conclude that there is very great potential for conservation of electric power and other forms of energy in the metallurgical departments.

We can use this input-output table to calculate the total need coefficients of various product categories for fixed funds, circulating funds, wage funds and manpower. The method of calculation is as follows. Let K, F, W and L be the

direct requirement vectors of various departments' unit total output for fixed funds, circulating funds, wage funds and labor. For example, $K = (K_1, K_2, \dots, K_n)$, where K_j indicates the direct requirement index of the j -th sector's unit total output for fixed funds. If we use \bar{K} , \bar{F} , \bar{W} and \bar{L} to express the total requirements vector of each industry's unit end product output for fixed funds, circulating funds, wage funds and manpower, then the following relations will exist:

$$\bar{K} = K (I-A)^{-1}$$

$$\bar{F} = F (I-A)^{-1}$$

$$\bar{W} = W (I-A)^{-1}$$

$$\bar{L} = L (I-A)^{-1}$$

The same method can be used to calculate the coefficient of each sector's total contribution to total profits and taxes. These coefficients can be used to analyze the relationships between outputs of finished products and the country's capital construction inputs, financial revenues, total wages and the like.

The greatest difference between the use of the input-output method and the use of traditional methods in planning is in their points of departure. Currently-used methods of drafting plans take the output of principal products such as grain, cotton, electric power, coal, crude oil and steel as their points of departure in planning. But use of the input-output model planning is divided into two stages. In the first stage, end products are taken as the point of departure in drafting the plan: planned outputs of end products are determined first, then each sector's total output targets are determined. Owing to insufficient sophistication of planning work and limitations on statistical data, it is still not possible in this stage to draft an optimal plan for the development of the national economy. The optimal plan for the development of the national economy is drafted in the second stage. At this time an overall balance model for the national economy must be used. This model combines the input-output model and mathematical programming methods. The model constraints are divided into three main categories. The first category is a group of production factor constraints. Production factors are divided into objects of labor, instruments of labor and manpower. The basic input-output relationships are now treated as a group of constraints reflecting the dependency of labor objects, and the limitations which instruments of labor and manpower impose on expansion of the scale of production are expressed in mathematical terms. The second category is consumption constraints. These express each sector's production requirements and limitations in trying to meet the people's needs for the means of subsistence. In specific terms they include two types of constraints. The first type consists of balance equations between the citizens' labor compensation and the consumer goods used in their individual consumption. The second type consists of balance equations for the demand for some major consumer goods such as grain, meat, cotton and the like. The third category is constraints involving the proportionality between accumulation and consumption. This planning model can use maximum growth of national income or maximum end-product output for a given period as the target function.

Repeated balance computations ultimately yield a proposed plan which both meets the specified constraints and maximizes either national income or total output of end products. This program can be used as reference material by the various sectors as they draft their national economic plans.

In addition to compiling a national input-output table, our country has also done some work in compiling regional, sectorial and enterprise input-output tables. Before the Cultural Revolution, the Institute of Economics had organized a special group to visit Shanxi Province for the purpose of investigating conditions and judging the feasibility of compiling a regional input-output table. The advent of the Cultural Revolution made it impossible to pursue this work. In 1979, with the guidance and support of the State Planning Commission and the Shanxi Provincial Party Committee and with the help of the Institute of Economics, Chinese Academy of Social Sciences and the Chinese People's University, Shanxi Province began to draft a value input-output table and a physical input-output table for 1979. The drafting of these tables is of great importance for analyzing regional economic circumstances and carrying out regional planning. This work is now actively underway.

In order to improve the quality of its planning and meet the needs of the four modernizations, starting in the fourth quarter of 1979 the Ministry of Chemical Engineering began compiling a 1978 input-output table for major chemical engineering products. The drafting of a sectorial input-output table makes a great contribution to strengthening the balance and coordination between the sector's main product output targets in mid-term, long-term and annual planning and to the investigation of relationships between this sector and the other sectors of the national economy. This work is now essentially complete.

The Operations Research Office of the Institute of Mathematics used the input-output method to study enterprise balances for the Anshan Steel Company and certain chemical engineering plants as early as 1965; the comrades at the plants were interested in this work and considered it valuable. In the 1970's, some major steel mills and petroleum refineries also did work of this sort.

In June 1980, six scientists from the Institute of Systems Science of the Chinese Academy of Sciences submitted a proposal regarding the drafting of input-output models and use of the input-output method in national economic planning to the State Council leadership; the leadership was impressed by it, and currently the relevant departments are organizing work of this type.*

Many countries have already begun analysis of their economies by the input-output method. Our country's work in this area is just beginning: the relevant departments are preparing to compile relatively large-scale input-output tables in value and physical terms. The joint effort of our country's economists, systems scientists and mathematicians will be needed in order to make the input-output technique serve the four modernizations and aid in comprehensive balancing of the national economy.

*See RENMIN RIBAO, 29 July 1980 p 3.

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FINANCE AND BANKING

HOW ENTERPRISES CAN MAKE MAXIMUM USE OF FUNDS EXPLORED

Jinan DAZHONG RIBAO in Chinese 4 Feb 82 p 3

[Article by Chen Naisheng [7115 0035 5110]: "My Views on How Enterprises Can Best Utilize Their Funds"]

[Text] As was pointed out by Premier Zhao Ziyang in his "Report on the Work of the Government" to the Fourth Session of the Fifth National People's Congress, one of the policies for economic construction from now on is the exploration of ways and means to make money, to accumulate money, and to utilize money. Important as it is that enterprises should direct their attention to the making and accumulation of money, it is even more important that they should learn how to make the best use of money. If enterprises would put to use wisely and in a scientific manner the capital they already have, so as to achieve the maximum benefits, they would be able to increase their own income and that of the nation through the development of production. It is for this reason that the utilization of capital should not be regarded as a problem of little moment.

How, then, should enterprises utilize the capital they already have so as to increase economic benefits? Generally speaking, they should resort to the following methods.

First, the subscribed capital of the enterprises should be put to good use. A proper ratio should first be set for the use of capital. The capital of socialist enterprises serves three functions--namely, as cash capital, as production capital, and as commercial commodity capital. Cash capital is formed at the preparatory stage for the production of the enterprises. It is used mainly to purchase materials for production and to pay employees' wages. Production capital, which is formed during the process of production, includes fixed capital, production capital, and working production capital. Commercial commodity capital, which is formed during the process of production, is made up of the finished products of the enterprises. In utilizing funds, enterprises should not only make a clear distinction qualitatively among the three forms of capital mentioned above, but should also establish a proper

ratio among them quantitatively. The setting of too high a ratio for cash capital would result in an excessive accumulation of cash, on the one hand, and in the suspension of production due to the failure to purchase an adequate supply of materials for production, on the other. The setting of too high a ratio for production capital would result in an excessive accumulation of materials for production and a shortage of cash capital for the payment of wages and other normal expenditures. The setting of too high a ratio for commercial commodity capital would result in an accumulation of finished products held in stock and an insufficiency of cash capital for the purchase of production materials. Improper allocation of the three categories of capital would result in waste in the use of capital by the enterprises and would even create difficulties in the enterprises' production and reproduction.

Efforts should also be made to utilize capital more efficiently. The best way to make better use of capital is to speed up the enterprises' rate of capital turnover. Different rates of capital turnover for the same amount of capital will bring different results within the same period of time and different economic benefits in the use of capital. The rate of capital turnover is determined by the time it takes to bring [the turnover] about, and the time it takes to bring about capital turnover is determined by the time it takes to produce the commodities and the time it takes to distribute those commodities. Reducing the time required for production and distribution will therefore speed up the rate of capital turnover. How, then, can we reduce the time required for production and distribution? According to Marx, "the chief way to reduce the time required for production is to increase the efficiency of production labor," and "the chief way to reduce the time required for distribution is to improve transportation." ("Das Kapital," Vol 3, pp 84-85) In short, to reduce the time required for production, it is necessary to adopt the latest scientific and technical methods in the process of production, to improve production techniques and the production process, to use highly efficient mechanical equipment, to ensure the proper division of labor and proper coordination, and to have a high degree of dexterity and a positive attitude on the part of the workers. To reduce the time required for distribution, it is necessary to select the best routes for the shipment of commercial commodities, to avoid circuitous and roundabout routes for their shipment, to establish a proper relationship between production and sales, and to produce and sell commodities on a contract basis.

Enterprise capital is made up of fixed capital and production capital. Reducing the turnover period will inevitably speed up the turnover of the enterprises' working capital. A common phenomenon among our enterprises at the present time is the disproportionate amount of working capital. Reducing the working capital by 2 or 3 percent by speeding up the turnover period would reduce by 7 to 10 billion yuan the amount of capital needed. Acceleration of the turnover of working capital is therefore one important step we can take to reduce the amount of capital and conserve a larger amount of funds.

Second, the depreciated funds of the enterprises should be put to good use. Depreciated funds are part of compensatory funds and are used for the renewal of simple reproduction of fixed assets. In using depreciated capital to renew fixed assets, the enterprises should, whenever possible, purchase machinery that has similar capabilities and specifications, has high efficiency and precision, and is economical to operate so as to achieve "the objective by using not the original but the renovated method of proceeding with the process of compensation" ("Das Kapital," Vol 2, pp 190-191) in order to enable enterprises to increase their reproductive capacity and to make it possible to expand reproduction. At the same time, because the various fixed assets belonging to the enterprises are renewed at different times, the depreciated funds drawn by the enterprises over the years, aside from being used to meet the need for renovation, are likely to leave a surplus which may be used by the enterprises for expanded reproduction. Furthermore, as the fixed assets of the enterprises continue to grow, the depreciated funds which may be used for expanded reproduction will show a corresponding increase. The enterprises should therefore attach importance to and make full use of this latent capital for expanded reproduction.

Third, it is necessary to determine how enterprise capital should be used. Here, attention should be paid to the question of how to make the best use of the capital set aside by the enterprises for expanded reproduction, so that limited additional investments may be made to yield maximum economic benefits.

There are mainly three ways in which enterprise capital may be used for expanded reproduction. First, use can be made of the retained production development fund. Second, use can be made of part of the depreciated funds for expanded reproduction. Third, use can be made of the related funds allocated by the higher authorities. All of these funds can be used by the enterprises for external expanded reproduction as well as for internal expanded reproduction. Under the present circumstances in our country, the additional investments should be used by the enterprises chiefly for internal expanded reproduction, exploring potentialities, renovations, and alterations. The advantages are that it is possible to make full use of the productive capabilities of the enterprises to apply advanced scientific and technical methods to the process of production, to improve production equipment and efficiency, and to increase the productive capability of the enterprises. It is also possible to save energy and raw materials by making better overall use of the equipment and by reducing the cost of production. The government does not have to invest heavily in internal expanded reproduction. Basically, the need can be met by using the depreciated and production development funds of the enterprises. It is possible to use a small amount of investment to increase productive capability. The amount, compared to that for external expanded reproduction, is smaller and yields quicker results and greater benefits.

FINANCE AND BANKING

BRIEFS

QINGHAI URBAN SAVINGS--By the end of 1981, savings deposits of urban areas in Qinghai Province had reached 281.95 million yuan, 130 million yuan or 89.6 percent more than at the end of 1978. The growth of urban savings deposits from 1978 to 1981 was 20 million yuan more than from 1949 to 1975. In 1981, time deposits accounted for 87.3 percent of all savings deposits. This shows that the people's minds are at ease and that their incomes have increased. [SK011208 Xining Qinghai Provincial Service in Mandarin 2330 GMT 31 Mar 82]

CSO: 4006/394

MINERAL RESOURCES

SHANDONG OVERFULFILLS COAL PRODUCTION QUOTA

Jinan DAZHONG RIBAO in Chinese 2 Feb 82 p 1

[Article by Meng Guangming [1322 0342 2494]: "Shandong Wins First Round in Battle to Fulfill Coal Production Quota"]

[Text] Our province has won the first round in the battle to fulfill its coal production quota. By 31 January, it had produced 102,000 tons over the monthly quota, or an increase of 8 percent over the figure for the same period last year. In the very first month, it succeeded in accomplishing its mission both in coal washing and in tunneling footage.

Since the meeting of the provincial coal bureau on planning in the early part of last December, the various bureaus and mines have begun to implement the production plan for 1982 with full confidence and determination and have proceeded to approach in a positive manner a series of tasks such as ideological preparation, mine prospecting, and inspection and repair of mining equipment. Large numbers of coal mine employees, rallying to the call of the Central Committee, showed such dedication to the four modernizations that they were able to produce according to plan right from the beginning of January.

Strict attention was paid by the various bureaus and mines in the province to overtime work during holidays. From top to bottom, work teams, under the leadership of the secretaries or deputy secretaries, were organized to undertake overtime work during holidays. Over 2,300 workers were selected at random to engage in overtime work, during holidays, to educate workers on its importance, and to draw up agreements on overtime work during holidays. Through home visits and exchanges of views on the circumstances, they arranged according to plan for 9,906 young people who were married over the holidays, young newlyweds, workers newly employed in the mines, those who had sick people in the family, and others with special difficulties to go home during the holidays, thus helping to give the workers a good feeling both ideologically and emotionally. Preparations were also made to provide adequate transportation and to meet the workers' material and cultural needs during the Spring Festival. Prior to the Spring Festival, five chiefs or deputy chiefs

of the provincial coal bureaus headed different groups to visit the five mining bureaus in Feicheng, Zibo, Xinwen, Zhaozhuang, and Yangzhou. The various bureaus and mines also assigned cadres to go into the mines to visit the workers, to participate in the work of production, and to boost the morale of the masses. Coal production exceeded the quota by 17,000 tons on New Year's Day and by 29,000 tons during the 3-day Spring Festival.

9621

CSO: 4006/312

MINERAL RESOURCES

BRIEFS

ORE DEPOSITS--Beijing, 27 Mar (XINHUA)--Seventeen tin ore deposits, some with a high tin content, have been discovered in Yunnan Province, China's major tin [word indistinct]. One is large and five are medium-sized. Most of the deposits also contain copper, tungsten and lead. A big mercury ore deposit has been discovered in Fenghuang County in the western part of Hunan Province. It is near the surface and has a high mercury content. Eight uranium, coal, iron and nonferrous metal deposits have been found in Sichuan Province. [Text] [OW271158 Beijing XINHUA in English 0252 GMT 27 Mar 82]

XIZING LITHIUM DEPOSITS--The Institute of Salt Lakes under the Academy of Geology has made a number of studies on salt lakes in the past 2 years. It has confirmed the existence of abundant lithium deposits in salt lakes in the northern part of Xizang; these deposits are one of the largest in the world. Lithium is the lightest metal and is an important raw material in the production of hydrogen bombs, missiles, nuclear submarines and new-type jet aircraft. It is also used in the production of electronic tubes, light alloy and special glass. The lithium deposits in Xizang are in the form of magnesite with lithium content. It is of high grade and widely dispersed and can be dissolved with ordinary acids to yield lithium. [Text] [OW010309 Beijing Domestic Service in Mandarin 1200 GMT 29 Mar 82]

CSO: 4006/394

CONSTRUCTION

MALPRACTICES IN USING LAND FOR HOUSING DISCUSSED

HK300937 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 29 Mar 82

[Station commentary: "It Is Necessary To Use Land Sparingly for Housing in Rural Areas"]

[Excerpts] Since the Third plenary session of the CCP Central Committee, with the firm implementation of the party's economic policies toward the countryside, an unprecedented scene of prosperity has appeared in the countryside of our province. More and more commune members have moved into new housing. According to the statistics of the relevant department, in a short period of 2-odd years--1980 to 1981--new housing of nearly 40 million square meters was built in the countryside of the whole province. The number of peasant households building new housing reached over 500,000, or around 10 percent of the total of peasant households of the whole province. These figures have to a certain degree reflected the very favorable situation in the countryside of our province--a situation marked by economic growth and an improvement in the living standard of the masses. But we should also soberly take note of the primary aspect of the problem. It is that the building of housing conflicts with the economical use of land and the protection of farmland. Judging from the conditions reported in various areas, there does exist the phenomenon of freely occupying farmland for building housing in some rural areas. In certain areas, the situation is rather serious. The primary problem at present is that some areas have lacked an adequate understanding of the importance and urgency of strengthening leadership over the building of housing in the countryside. Some have even given up leadership. This is concretely reflected in the lack of overall plans and rational arrangements on the part of certain areas in the current effort to build housing in the countryside. The reform of old villages and small towns has also not been properly linked with the building of new villages and small towns. Housing is built in a scattered and random manner. Many areas have failed to establish and perfect an examination and approval system for the building of rural housing. Some commune members have freely occupied "contract" fields and private plots for building housing. A small number of cadres have used their authority to freely occupy collective farmland for building housing. This has produced an adverse effect on the masses. All these factors have led to the serious consequences of freely occupying farmland.

Everyone knows that our country has a vast land rich in resources. But it has a large population and little cultivable land. There is an average of only 1-odd mu of cultivable land per person, as far as the whole country is concerned. With the natural growth of the population, the average area of cultivable land per capita will drop further. The same is true, as far as the conditions of our province are concerned. The area of land that can be reclaimed and cultivated is also limited. If 5 percent of the peasant households of the province occupy land for housing every year and each appropriates 0.4 mu over 110,000 mu of land will be occupied per year. If half of this land is cultivable, there will be a loss of over 55,000 mu of cultivable land a year. Everyone can see that this is a shocking figure. The situation would be much more serious, given the allocation of land for public enterprises and units serving the people in the countryside and land for capital construction in cities and towns. This problem must be given serious attention. It is after all a major problem concerning the development of production and also concerning the well-being of our descendants.

Last year, the State Council specially issued a relevant urgent notification on stopping the rural practice of occupying cultivable land for building housing. Recently, it again promulgated regulations governing the control of land for building housing in villages and small towns. With the realities of the province in mind, the provincial party committee and the provincial people's government also issued appropriate documents. In line with the spirit of these policies, various areas must formulate concrete measures as quickly as possible and take early actions to resolutely stop the various wrong practices of freely appropriating land for the building of housing.

We must further reaffirm the various policies and decrees of the party and the state concerning relevant regulations. Concerning those persons who defy the state's policies and decrees by illegally trading in cultivable land for building housing and those who freely occupy cultivable land for building housing without authorization and concerning any such practice, we must take practical measures to make investigations and follow up with action; depending upon the circumstances of the case. We must resolutely prevent commune and brigade cadres and state working personnel from following any unhealthy practice in examining and approving applications for use of land for building housing and even using authority to serve private ends and seek revenge. Depending upon the circumstances of the case, any such offender must accept administrative responsibility, economic responsibility and even criminal responsibility.

CSO: 4006/394

DOMESTIC TRADE

GREATER CONTROL OF GROWTH IN CONSUMPTION URGED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 4,
20 Aug 81 pp 36-39

[Article by Xiao Jie [5135 2212]: "There Must Be Greater Control of Growth in Consumption"]

[Text] In carrying out the further readjustment of the national economy, it is first necessary to bring about the financial balance of revenues and expenditures along with the balance of credit revenues and expenditures as rapidly as possible. It is also essential to stabilize prices and the economy. In order to achieve a financial balance of revenues and expenditures and to be able to maintain this balance for any length of time, it is necessary to adopt effective measures by increasing revenues and reducing expenditures. In order to reduce expenditures, we must resolutely cut down on the scope of basic construction at present and we must check the growth in consumption.

Since the Third Plenary Session of the 11th Party Central Committee, the party and the state have adopted a series of measures to raise the consumption level of urban and rural people in order to implement the strategic policy of national economic readjustment. The most significant measures include increasing the purchasing price of subsidiary agricultural products, increasing the wages of some staff and workers, and implementing the award system. This has played a major role in improving the people's standard of living, in arousing the enthusiasm of the broad masses and in promoting the development of industrial and agricultural production.

Improving the people's standard of living can only be gradually brought about on the basis of developing production. At the present time many problems exist concerning the people's standard of living. These problems have been accumulating over a period of time and it is therefore not possible to completely resolve them right away. Improving the people's standard of living is similar to production construction in that we must estimate our resources and act accordingly. By "resources" we mean our financial resources and our material resources. As far as our financial resources are concerned, we have had a sizable national deficit during the past 2 years. After greatly reducing the scope of basic construction and cutting back on other nonproductive expenditures, our national financial resources remain tight.

great impetus for development of the production of consumer goods. However, we must realize that the expansion of the production of consumer goods is affected by our subjective efforts and restricted by objective conditions, such as the supply of raw materials and the extent of our productive capacity. Just because we need a certain quantity of consumer goods does not mean that we can produce that quantity. At present the supply of raw materials required for our production of consumer goods depends primarily on agriculture. Raw industrial materials have increased, but they do not constitute a large proportion. At the same time, we also need to import raw materials for the light and textile industries. An increase in the supply of these various raw materials within a specified period is subject to objective limitations. The growth of agricultural raw materials is especially influenced by natural conditions. It is therefore very difficult to achieve any great increase right away. As for the productivity of consumer goods, we are implementing the policy of economic readjustment and are just now striving to accelerate the development of agriculture and light industry by adopting various methods to expand our productivity of consumer goods that suit the market and the needs of the people. The readjustment of irrational production structures that have formed over time is an ongoing process; it cannot be accomplished in a single move. Such being the case, the prerequisite for achieving an increase in social purchasing power is the growth of the current supply of consumer goods. If this does not occur there will be an imbalance between the two, which will influence the stability of prices and the economy. Consequently, while increasing consumption expenditures and social purchasing power, we must estimate our resources and act accordingly. We must keep expenditures within the limits of our income and attain an overall balance. It is incorrect to stress only the development of production and ignore improving the people's standard of living. Similarly, seeking improvements in the people's standard of living without developing production is not only incorrect, it is impossible.

There are many factors behind the current excessive, hasty growth in consumption which affect the balance between the social purchasing power and the supply of consumer goods. However, the primary causes of the occurrence of such a situation require further concrete analysis.

We know that during the past 2 years the state has increased financial expenditures for the purpose of raising the purchasing prices of subsidiary agricultural products. This has inevitably had an influence on the financial balance of revenues and expenditures and the balance of the market supply and demand of consumer goods. However, we must also keep in mind that because the state has raised purchasing prices of subsidiary agricultural products, there has been a marked increase in the quantity of subsidiary agricultural products sold to the state by the peasants compared with previous years. Furthermore, along with the expansion of the sources of agricultural raw materials, the development of the production of light industries has accelerated and the market supply of commodities has increased. Of course, the growth in the supply of consumer goods which was brought about by the increased prices of subsidiary agricultural products may be unable to catch up in such a short time. It may thus lead to an increase in purchasing power, but this would only be temporary. In the long run it may be of great benefit

to the development of the national economy. Although raising the purchasing prices of subsidiary agricultural products will have a definite effect on the balance between social purchasing power and the supply of consumer goods, this is not a primary cause.

At the same time, during the last 2 years the state has readjusted the wages of some staff and workers and increased expenditures in order to make arrangements for labor employment. At present the growth of gross wages has accelerated somewhat. In 1979, the total industrial output value increased 8.5 percent over the previous year, the national income increased 7 percent and the gross wages for the entire year increased 13.7 percent. This includes a 13 percent increase in the gross wages of workers and staff in the system of ownership by the entire people. In 1980, the total industrial output value increased 8.7 percent over 1979, the national income increased 6.9 percent and the gross wages for the entire year increased 19.5 percent over the previous year. The gross wages of workers in the system of ownership of all the people increased 18.5 percent. In order to readjust the ratio of accumulation and consumption, it is necessary that workers' wages increase a little more rapidly than the national income. Even though this may exert an influence on the growth in consumption expenditures and on the balance between social purchasing power and the supply of consumer goods, this is still not the primary cause. These expenditures may be controlled in a planned way.

From the point of view of the current actual circumstances, a major cause of consumption expenditures being out of control and the imbalance between social purchasing power and the supply of consumer goods is the excessive issuing of monetary awards by some enterprises and units. These enterprises and units have violated the relevant state policies and the principle of distribution on the basis of labor. They have randomly expanded the limits for issuing awards and have raised the norm for the amounts awarded. They have also issued cash, tangible goods, and all sorts of irrational subsidies. Furthermore, egalitarianism is a serious problem. Some have adopted fraudulent methods and engaged in dishonest practices. They have unscrupulously taken advantage of the rise in prices and the disguised rise in prices to obtain bonuses. They then shift the cost onto the consumer. Some have crowded out production costs, withheld profits and evaded taxes in order to reach their goal of issuing more bonuses. Others have concocted various pretexts and used the excuse of promoting the sale of commodities that have not sold well. They have purchased goods that are in short supply, contracted outside labor, pressed for payment of outstanding debts and loans, etc. They have determined how bonuses should be handled without authorization. In many units there are a lot of people receiving a wide variety of awards. Most receive 10 or 20 awards, as one person can receive many kinds of awards at one time. Repeated allocation and issuing of awards is rampant. As for the award amount granted, it is more often high than low, so that people contend and compete with each other and the granting of awards continues to increase without good reason. In many enterprises, workers and staff annually receive 100 or 200 yuan at the lower levels, 300 or 400 at the intermediate levels and 500 to 600 at the top. It is similar to the situation in the plant in Beijing where huge sums of money were illegally seized from June

1979 to July 1980. All workers in the plant received 678 yuan in bonus money, which is equivalent to standard wages for 13.5 months.

The effect of the excessive issuing of bonuses is to cause a reduction in the financial resources that should have been accumulated and distributed equally by the state. Consequently, the state's financial revenue has been seriously affected. At the same time it has also brought about a tight supply of consumer goods on the market. New contradictions have arisen in the readjustment of the national economy because of the excessive issuing of awards, the inevitable growth in purchasing power, the current inability to increase the supply of consumer goods and the certain increase in the prices of market commodities.

The limits on price negotiation for subsidiary agricultural products are too broad. The lack of strict control over the extent and rate of over-purchasing and of price hikes has caused consumption expenditures to go unchecked. It is another major cause of the imbalance between social purchasing power and the supply of consumer goods. In recent years, when purchasing subsidiary agricultural products, many prefectures violated the regulations of related political and organizational policies. They expanded the scope of price negotiating without authority and increased the proportion of products having negotiated prices. The prices of certain major secondary products that normally were not set by negotiation underwent price negotiations. This includes such products as tobacco, flax, tea, silkworm cocoons, etc. There were also some units that shifted several tens of products from the secondary category to the third without the approval or authorization of concerned responsible departments, with the result that all of these products were purchased through price negotiations. There were even some prefectures that bought subsidiary agricultural products in violation of the terms of commodity price controls in order to get hold of processing materials. They exceeded their authority and raised prices. They slowed down the marketing of goods and forced up commodity prices of scarce and urgently needed goods in order to cause rush buying.

Not only did this affect the fulfillment of state plans for the allocation and procurement of subsidiary agricultural products, thereby adding to the difficulties in industrial production, but it also increased the number and proportion of products with negotiated prices. Prices have increased steadily, so that in reality it has been equivalent to raising the level of purchasing prices for subsidiary agricultural products in a disguised way. Of course, some products that were sold through price negotiation were bought and sold at a high price so that there was no increase in the amount of money put into circulation. However, this was not at all favorable to stabilizing market commodity prices. It directly affected improving the people's real standard of living. As for the other major secondary products whose prices are not usually negotiated, such as certain industrial raw materials and commodities for export, once their prices were negotiated, it became impossible for the state to raise prices correspondingly. Thus, for the products to be bought and sold at a high price they had to be financially subsidized by the state. This upside down state of affairs in buying and selling prices will increase our state financial expenditures and increase our financial burden.

At the same time, it should also be noted that the above-quota purchasing and high pricing of grain and other major agricultural products by the state is an important policy for controlling agricultural products and natural resources when the supply of products fails to meet the demand. This policy has had a major impact on regulating product shortages and surpluses, increasing reserve supplies, arranging agricultural production planning, and gradually expanding the production of other cash crops. This policy must be ratified. However, there are some prefectures that have not strictly implemented the related state policies. They have, of their own accord, reduced base requisition figures, expanded the limits on price increases, stepped up the rate of price hikes, and they have begun purchase negotiations before they even fulfilled the state purchase quotas. There are also quite a few offices, organizations, enterprise units and public agencies that have made direct purchases from rural production brigades. Their prices are often higher than the level set by the state for above-quota purchasing. This has affected state purchases and has touched off an increase in the prices of grain and other agricultural products which has led to an increase in state financial expenditures.

In addition, during the past 2 years there has been no strict control of the purchasing power of social groups. Even though beginning last year the method of budget contracts was tried out regarding the funds of administrative units and public agencies, there is still insufficient control of administrative and operating funds and expenditures of certain agencies and organizations. This is also an important reason behind the imbalance between the supply and demand of consumer goods on the market. Some departments and units spend money extravagantly. They do not stress careful calculation and strict budgeting, and have gradually expanded the limits on expenditures. Although there may be reductions in negotiated costs, travelling expenses, etc., expenditures in the procurement of small vehicles, sofas, televisions, electric fans and tape recorders have been increasing on a large scale. As for the amount of administrative expenses in 1980, the expenditures of the whole nation exceeded the financial budget by 1 billion yuan. At the same time, the administrative expenses of state-operated enterprise units also increased. The excuse of augmenting office supplies and labor protection materials was frequently used to fraudulently purchase commodities in short supply on the market. Thereby the nonproductive expenditures were increased and the tight supply of consumer goods on the market was exacerbated.

From the analysis presented above, we can see that if we want to check consumption and try to attain a balance between social purchasing power and the supply of consumer goods, it is necessary to rectify the system of bonuses, set limits on negotiated prices for subsidiary agricultural products, and strictly control the rate and proportion of price hikes on above-quota purchases of agricultural products. We must also resolutely cut all administrative expenses and expenditures of state agencies and control the purchasing power of social groups.

The aim of practicing the award system is to encourage staff and workers to surpass labor quotas. At present, in addition to having to correct the

tendency toward egalitarianism that exists in the granting of bonuses, there should also be an appropriate limit set on the amount. With regard to microeconomics, it would be a truly great contribution to the state if we could increase the labor enthusiasm of staff and workers, carry out production successfully, and improve management and administration. In that case enterprises could appropriately issue a greater number of bonuses. On the individual level, in particular, bonus amounts should vary with each individual, as there are differences in the extent to which they surpass quotas. However bonuses are a supplementary means for implementing distribution on the basis of labor, and the amount should not be greater than the amount of basic wages. In an enterprise, there are limits to the extent to which staff and workers can surpass labor quotas. Therefore, bonus amounts must maintain a suitable ratio with basic wages.

There are currently some units in which bonus amounts exceed basic wages. This situation is not only irrational, it is also very unsound. With regard to macroeconomics, our nation is presently in a period of readjustment. There still exist great economic difficulties; specifically, we still have a sizable financial deficit. Objectively, it is necessary to do what we can to amass our financial resources for utilization. Bonus amounts must be controlled to an even greater extent. There must therefore be a limit on the granting of bonuses in enterprise units. We must start from overall interests and follow the macroscopic policy decisions of the state on the control of bonus levels.

Whether or not the normative amount for bonuses is set on the basis of occupation or by city deserves further study. There should be differences in the overall normative amount because of the differing circumstances of production and management in each occupation and in each enterprise. However, there should not be too great a gap. Some enterprises that have frequently withdrawn bonuses according to regulations should undergo mass discussion and use money from bonus funds as appropriate to carry out some collective welfare projects. For instance they can build workers dormitories, set up child care centers, build health facilities and improve production conditions and living environments. This would relieve the state of some of its burden, solve some practical problems in the lives of staff and workers, prevent excessive granting of bonuses, and stop commodity prices from going out of control. Bonus problems directly influence the production enthusiasm of staff and workers, so we should act prudently. We must rely on the masses and the workers congress in straightening out these problems concerning bonuses, and we must concentrate on doing thorough and painstaking ideological and political work.

In order to control consumption expenditures, we must attain a balance between social purchasing power and the supply of consumer goods. Greater attention must also be given to the increased purchasing power of the peasants brought about by sales of subsidiary agricultural products. In the past 2 years peasants have increased their income by 25.8 billion yuan by selling subsidiary agricultural products. This has undoubtedly played a major role in improving the peasants standard of living. However, raising the purchase prices of subsidiary agricultural products is only one aspect of the increase

in the income of peasants. The basic way to improve the peasants' standard of living is still to strive to develop production and increase the quantity of subsidiary agricultural products. It is really not a bad thing to increase purchasing power through increased production of subsidiary agricultural products. Rather, it is an excellent method. In view of the fact that our current national financial resources are limited, the market supply and demand for consumer goods is tight, and our financial revenue and expenditures are not balanced, it is now necessary to plan and consider the limits, rate and measures for raising the prices of subsidiary agricultural products. We must reach an overall balance and not act rashly. Price hikes should be limited to those subsidiary agricultural products on which low purchasing prices would affect the development of production. This is a principle that must be well understood. The practice of purchase negotiations for subsidiary agricultural products is part of the market regulation. The negotiation of purchase prices may be based on the current situation and the prices may increase or decrease with the market. As for above-quota buying and increasing the prices of agricultural products, we must first of all fulfill the state purchase plans on the basis of our financial resources, estimate our resources and act accordingly. Furthermore, we must pay attention to correcting the erroneous workstyle of randomly expanding the limits on price increases and randomly increasing the rate of price hikes.

Controlling and reducing social purchasing power is an extremely important task that must be continued over a long period. On the one hand, there currently exist difficult problems in our national economy. We must make every effort to cut down on nonproductive expenditures, save money and apply it toward more needy areas in production construction. On the other hand, it must be realized that there still exists a large disparity between consumer goods on the market at present and social purchasing power. We must control and reduce the purchasing power of social groups, release commodities to supply the markets, and meet the consumption needs of urban and rural people. The actual amount of a group's purchasing power may not be great, but from the viewpoint of society as a whole, if the group purchasing power of each department and unit throughout the nation increased, the amount would be considerable. This year the state set targets for economizing on administrative and operational funds. They also demanded that enterprise administrative expenses be cut further. Whether in administrative departments or in enterprise units and public agencies, strict control of expenditures must be practiced. Money that does not need to be spent should not be spent, and if we can spend less money then we must do so.

We must give full play to our fine traditions of hard work, thrift and arduous struggle. We must strive to learn to spend less money and put more effort into managing affairs and to managing without spending money. All financial, banking and accounting departments must carry out conscientious supervision, make strict checks, insure that expenditures fall within the set normative amounts, and make a joint effort to successfully complete this endeavor.

FOREIGN TRADE

BEIJING MET 1981 EXPORT PLAN 2 MONTHS AHEAD OF SCHEDULE

Beijing BEIJING RIBAO in Chinese 29 Jan 82 p 1

[Article by Deng Dunlian [6772 2415 6647]: "Beijing Overfulfills 1981 Export Plan Ahead of Schedule by Coordinating Industry and Trade"]

[Text] Beijing overfulfilled its export plan for 1981 by 127.5 percent, achieving a net increase of 6.6 percent over the 1980 figure.

Among the city's export commercial commodities in 1981, machinery, machine equipment, and metals continued to show an increase both in value and in proportion. The export value showed an increase of 33.8, 29.3, and 30.5 percent, respectively, for those commodities. There was a sizable increase in the export of Beijing's specialties in the categories of light textile and handicraft products such as textiles, clothing, fur and leather products, drawnwork products, wood and steel furniture, cloth shoes, and carpets. The changes in the composition of export commercial commodities indicate that our economic readjustment policy and the four points regarding the policy of construction for this city issued by the Secretariat of the Central Committee have been further implemented, and that they have brought satisfactory preliminary results.

Another special feature in the export trade for 1981 was that it was more flexible and of greater variety. The adoption last year of the method of "promoting exports by promoting imports" resulted in an increase in the procurement price of commercial commodities suitable for sale to about one-third of the total procurement value. At the same time, the influx of advanced techniques and equipment by using foreign capital has increased the enterprises' productivity and exports. The city's foreign trade system alone signed 112 contracts with foreign concerns for the processing and assembling of products and for compensatory trade. The cost of processing showed an increase of 41 percent over the figure for the previous year. Furthermore, 131 missions were sent abroad to discuss trade, to promote the sale of commercial products, and to engage in studies in the technical field. During the year, 31 expositions were held abroad to promote the sale of products. Following

their establishment in Japan and the United States in 1980, joint companies were set up in Macao and Kuwait in 1981. These flexible trade measures have resulted in effectively enlarging the volume of exports.

During the past year, coordination was established between the industrial and trade departments of the city to organize in a positive way the sale of commercial commodities beyond the scope of the plan, in order to reduce the surplus of imports over exports, to improve and to create 73 packaging designs, to increase the sales price of export commercial commodities, and to continue to adopt such means as the use of through land and sea transportation, bridges, and container shipping to overcome the difficulties created by limited transportation capacities. The city was thus able to fulfill its export plan for the whole year 2 months ahead of schedule.

9621

CSO: 4006/312

FOREIGN TRADE

REPORT ON SENTENCING OF TRADE JOURNAL OFFICIAL

OW280722 Beijing XINHUA in English 0712 GMT 28 Mar 82

[Text] Beijing, 28 Mar (XINHUA)--A former leading member of the editorial board of CHINA FINANCE AND TRADE JOURNAL has been sentenced to five years' imprisonment for betraying state secrets.

Li Quangyi, 64, was convicted of betraying to a foreigner last June details of the proceedings of the Sixth Plenary Session of the 11th Central Committee of the Communist Party of China and contents of the session's confidential documents. Earlier, he betrayed other state secrets to foreigners.

The Beijing Municipal Intermediate People's Court on February 25 sentenced Li Guangyi to five years' imprisonment in accordance with provisions of Article 186 of the criminal law reading "Any state functionary who betrays any important secret of the state in violation of state security regulations, to a serious degree, shall be sentenced to imprisonment for not more than seven years, or to detention, or to deprivation of political rights."

The accused, contesting the judgment, later filed an appeal to the Beijing Municipal Higher People's Court. The court rejected the appeal and affirmed the original judgment yesterday.

CSO: 4020/112

FOREIGN TRADE

GUANGDONG MAKES GOOD USE OF FOREIGN CAPITAL

Guangzhou NANFANG RIBAO in Chinese 15 Feb 82 p 1

[Article: "Our Province Achieves Remarkable Success in Utilizing Foreign Capital for Construction"]

[Text] According to statistics made available by the Provincial Statistics Bureau, over 440 basic construction projects were financed by foreign capital and the amount of investment exceeded 2.1 billion yuan between the latter half of 1979 and the end of 1981. The investments were used mainly for the development of tourism, the light textile industry, the food industry, electronics, communications and transportation, and housing and public utilities in the cities. Once they are put into operation, these projects will have a positive effect on the economic development of our province and on the people's livelihood.

There are two outstanding features in the use of foreign capital to finance construction projects. The first outstanding feature is the speed in the rate of construction. It is expected that 80 percent of the construction work will be completed this year or next. Generally, the construction period runs from 6 months to 3 years. For instance, the production line for filtered cigarettes in the Guangzhou No 2 Cigarette Factory was installed and ready for production within 3 months. The second outstanding feature is the high economic benefit. In the tourist trade, for instance, the rebuilding of the Shihjingshan tourist center in Zhuhai and the Dongfang Guesthouse in Guangzhou was completed and repayment of the investment plus interest was started ahead of the schedule stipulated in the contract. Moreover, there was a surplus after payment was made.

The chief reason for the achievement of such remarkable results within such a short period of time in the use of foreign capital for construction projects in our province is that the proper implementation of the open-door policy was well received by the people. Many overseas Chinese, fellow countrymen from Hong Kong and Macao, and foreign businessmen have expressed the opinion that there is stability and unity in China, that policies are more relaxed, that

investment is protected by law, and that they have confidence in investing in construction projects. To attract foreign capital for construction projects, our province has also strengthened planning, overcome the tendency to go about its projects in a haphazard manner, made it a policy to succeed in each and every undertaking, and placed great emphasis on the achievement of economic benefits. Guided by the principle of bringing profit to all parties concerned, our province operates with the objective of providing benefits to the nation, the enterprises and the investors.

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CSO: 4006/335

FOREIGN TRADE

SHANGHAI PLANS TO INCREASE INDUSTRIAL EXPORTS

OW302006 Beijing XINHUA in English 1830 GMT 30 Mar 82

[Text] Shanghai, 30 Mar (XINHUA)--Shanghai plans to increase industrial exports 12 per cent this year over 1981, encourage greater foreign investment and compete more intensely internationally, city mayor Wang Daohan said today.

The mayor was addressing more than 1,000 deputies at the fourth session of the Shanghai's Seventh Municipal People's Congress, which opened today.

He said that the city will open centers for export manufacture and encourage local foreign trade departments import technology and capital, process goods with foreign materials and parts for overseas firms, develop tourism, cooperate in overseas joint ventures and undertake their own projects and services abroad. He hoped that compensation trade and leasing would be developed.

He said production departments should produce commodities that can compete on the world market. Imports should be used to help expand exports.

Shanghai's total industrial output this year would be four per cent greater than that in 1981, he said. Light industrial output would increase six per cent and that of heavy industry 1.5 per cent.

The mayor said the local government would continue its effort to turn out more consumer goods.

More steel sheets, cold strip steel, plastics, dyestuff, coatings would be turned out and new machinery for the light and textile industries and new equipment which consumes less energy would be developed.

This year Shanghai would turn out more marketable goods and improve quality.

Wang Daohan urged the local industrial enterprises to cut down the cost of production by two per cent this year as compared with 1981.

Two hundred and fifty-five projects would be completed for operation this year, 97 being industrial items, and would add 13 billion yuan (RMB) a year in output value.

CSO: 4020/112

FOREIGN TRADE

BRIEFS

CULTURAL MICROFORMS--Beijing, 27 Mar (XINHUA)--The China National Microforms Import and Export Corporation, established recently in Beijing, has started to provide international services on oriental culture and sinology, according to the China publications center. The corporation, a subsidiary of the center, has established contacts with China's major libraries, archives, academic organizations and publishing houses. Microforms it has produced include microfilms and microfiche of rare books, newspapers, historical files and documents. The corporation has received orders from British, U.S. and other foreign libraries. [Text] [OW271247 Beijing XINHUA in English 1200 GMT 27 Mar 82]

CSO: 4020/112

LABOR AND WAGES

WORKING CLASS HAS CRUCIAL ROLE IN ECONOMIC CONSTRUCTION

Beijing ZHONGGUO CAIMAO BAO in Chinese 2 Feb 82 p 3

[Article by Kao Baohu [7599 1405 3275]: "What Economic Construction Depends On, in the Final Analysis"]

[Text] "Some Problems Concerning Work in the Urban Areas," appearing in the first volume of the "Selected Works of Liu Shaoqi," is the text of a speech delivered by Comrade Liu Shaoqi at the Second Plenary Session of the Seventh Party Central Committee. This speech is a masterful exposition of Comrade Mao Zedong's ideas on the need to place wholehearted reliance on the thoughts of the working class and on the working class in order to develop production by ensuring the livelihood of the workers and by educating and organizing them. It has been over 30 years since that speech was made, and most of the circumstances and missions touched upon have become history. However, the questions regarding the need for wholehearted reliance on the working class for economic construction, for strengthening the work of the party among the working class, and for educating and training the rank and file of the working class remain as important as ever. We can still learn a great deal by studying these questions.

The first question is the need to ensure the workers' livelihood.

Comrade Liu Shaoqi was of the opinion that, on the one hand, the party must wage a struggle to improve the livelihood of the working class, and that it would be a mistake to show an attitude of indifference toward the workers' livelihood, but that on the other hand it would also be a mistake for the workers to make exorbitant and one-sided demands for greater benefits. We should teach the workers to look at present benefits in the perspective of future benefits, and to understand that the hardships they now endure serve to promote construction and to bring a brighter future. The principles enunciated by Comrade Liu Shaoqi remain as pertinent today as ever. Because of errors in our work and the setbacks we have suffered in the past, the rate of progress in raising the living standard of the workers has not been as rapid as we would like it to have been in the past 30-odd years. Even today,

some workers continue to live hard lives. Party members, especially those in leadership positions at various levels, should show great concern for the hardships suffered by the workers, seek to improve their livelihood gradually through the development of production, and oppose bureaucratic practices that are inimical to the workers' interests. At the same time, it should be realized that since the Third Plenary Session of the 11th Party Central Committee, the party and government have, on the basis of the lessons they have learned from experience, regarded the need to improve the workers' livelihood as a matter of high priority and have resorted to all possible measures to improve their livelihood. Our problem now is to let the workers know that, while there is a need to improve their livelihood, they should not expect too rapid results, in view of the nation's need to conserve its resources and to engage in construction projects. Improvement in the livelihood of the workers can be brought about only gradually, through the development of production. In other words, the workers should be made to appreciate the relationship between personal benefits and the benefits of the nation and the relationship between short-term and long-term benefits. The experience we have learned from history has proved that it is extremely damaging to socialist enterprises to disregard the livelihood and education of the workers and the masses on the one hand and to accede to their ill-guided demands for greater benefits on the other.

Commenting on the need to teach the workers to adopt a correct attitude in seeking a better livelihood, Comrade Liu Shaoqi raised an important principle and an important method--namely, that party members, especially those in leadership positions, should set a personal example, in showing a willingness to face difficulties before thinking of personal pleasures. "In times of great difficulty," he said, "if the life we live is harder than that of the workers, then we will be able to convince them of our sincerity, win their understanding, and earn their support." This principle and method are of great consequence. It was by the use of this principle and method that we managed to overcome various difficulties in the past. Today, whether or not we are able to educate and to unite the working class and the masses to wage a struggle to overcome difficulties and to develop the economy depends on whether or not our party, especially those members in leadership positions at various levels, can set personal examples.

The second question concerns the education of the workers.

Comrade Liu Shaoqi pointed out that the party's first order of business, as soon as a city has been won, is to proceed with the education, and especially the political education, of the workers. Over a considerable period of time following the founding of the republic, our party attached great importance to the education of the workers, engaged in depth in the proletarian political education of the working class, fortified with the basic tenets of Marxism the old workers who had suffered so much in old China, and trained a new

generation of workers who grew up in new China. There emerged among the working class many model heroes and rank-and-file workers in the mold of the workers at the Daqing oil fields. Many of them still occupy key positions on the industrial front. Owing to certain errors in our work, however, and especially owing to the "Great Cultural Revolution," severe damage was done to the education of the working class, and certain negative consequences continue to haunt us even today. Some workers are disorganized in their thinking, lax in their discipline, sloppy in their work, and are not above benefiting themselves at the expense of the public. This situation is utterly inimical to what is required for economic development. It is therefore a matter of great urgency to proceed seriously with the work of education and training among the rank and file of staff members and workers, to restore and give full play to the revolutionary traditions and fine qualities of the working class, and to revive their revolutionary spirit.

On the question of educating the workers, Comrade Liu Shaoqi proposed that education not be confined to current affairs and matters of policy, but that emphasis be placed on the world outlook of the proletarian class and the basic tenets of Marxism-Leninism. In our propaganda and educational work, we have for many years been guilty of overlooking basic theories and principles. We have often confined our discussions to the matters at issue and have even expounded the current situation and policies in a pragmatic manner, with the result that many people have lost their confidence and interest in political propaganda and education. There has emerged a tendency among certain workers to develop their own theories. That is why the great importance placed by Comrade Liu Shaoqi on educating workers in the basic principles merits particular attention today. It is only by realistically, appealingly, and systematically going about the work of education in the history of materialism, the theories on surplus value, the viewpoints on the class struggle, and the basic problems of the Chinese revolution that the entire body of workers can gradually come to understand the discipline of social development, the basic contradictions of capitalism, the inevitability and superiority of socialism, the historic mission of the working class, the long history of the struggle waged by China's working class under the leadership of the Chinese Communist Party, and the revolutionary tradition created by the workers. [It also is the only way] that it is possible to heighten the awareness of the working class, to increase their understanding of the policies and principles of the party since the Third Plenary Session of the 11th Party Central Committee, to activate a positive attitude on their part, and to motivate them to wage a struggle for the development of the socialist economy. What is more, from a more profound point of view, it is by heightening the awareness of our country's working class and by strengthening the discipline of organization that it is possible to retain the proletarian character of our nation and our party and to make it a basic factor for ensuring the continued development of our society. It should be known that our working class has emerged as a new symbol of productivity in China, that it is the progressive

class in the new China, and that it has assumed a position of leadership in the revolutionary movement. Members of the working class are farsighted, fair and square, well versed in organizational discipline, thoroughly committed to the revolution and battle tested. In the past, it was this progressive revolutionary class that gave birth to the Chinese Communist Party and the Chinese revolution under the leadership of the proletariat. Now and in the future, it is only through education in Marxism that it is possible to revive, maintain, and give free play to the original revolutionary spirit of China's working class, to build a solid foundation, and to ensure the success of our socialist projects of construction.

The third question has to do with the organization of the workers.

Regarding the organization of workers, three points were raised by Comrade Liu Shaoqi at the time. First, he said, it was necessary to strengthen party organization through educating the workers and heightening their political awareness; second, it was necessary to organize the entire body of workers through labor unions; and third, it was necessary to set up organizations of labor representatives. Today, the situation of the working class organizations is far different from that prevailing at the time. However, the question of how to strengthen the establishment of party organizations among the working class and the organization of labor unions remains as pertinent as ever, and a great deal of work remains to be done. The organizing of meetings of workers' representatives or congresses of representatives of employees and workers in order to enable the workers to exercise democratic control has assumed even greater significance today. Comrade Liu Shaoqi stated in his address, "Congresses of labor representatives are democratic in form, uniting as they do those at the top and those at the bottom. They provide a common ground between the issuance of administrative orders and mass movements on a continuing basis. An administrative order from the head of a factory that is approved and adopted by a meeting of representatives of workers and then handed down to the lower levels is likely to be more fully implemented." He pointed out at the time that this form had not been widely adopted while the war was in progress, but that "now it brooks no delay. Any further delay would not serve the interests of the struggle against bureaucratism or help to overcome effectively all the faults in the manner in which administrative orders have been handed down." History has proved that because of our failure properly to develop a democratic system that would make it possible for the working class to take part in the work of administration, we have suffered many setbacks economically as well as politically. We should, on the basis of our historical experience and the new circumstances, exert our efforts to fulfill the mission first broached by Comrade Liu Shaoqi over 30 years ago. At the present time, in order to do a good job of putting the enterprises in good order, of raising the standards of economic administration, and of bringing about better economic results, we must, on the one hand, perfect the

economic responsibility system under the guidance of the plan to reconcile correctly the interests of the nation, the enterprises, and the employees and activate the positive attitude of the workers and the masses, while on the other hand we must establish and perfect, under the guidance of party committees, a system of congresses of representatives of employees and other democratic systems in order to enable the working class to participate extensively in the work of administration. Only thus can we heighten the sense of responsibility on the part of members of the working class in the knowledge that they are their own masters; strengthen the organization, functions, and power of the working class; and encourage the workers and the masses to exercise supervision over those in leadership positions at various levels so as to effectively overcome the corrupt practices of bureaucratism and to promote the development of a socialist economy.

Toward the end of his speech, Comrade Liu Shaoqi said, "In short, when the problem of making a living is solved, the workers' morale goes up. When education is strengthened, their sense of awareness is heightened. When the workers are organized and united, they become a force to be reckoned with. It is then that we can win the support of the working class, encourage the workers to make further efforts to increase production, and count on them to back us up. It is obvious that the Communist Party has to depend on the workers as much as the workers have to depend on the Communist Party. It is this mutual dependence that establishes unity between us and the working people." In plain language, this passage made clear a dialectic truth, which is that the working class is the most revolutionary and progressive class, and that all revolutionary and construction projects require the support of the working class under the guidance of the Communist Party. We cannot, however, depend on the working class to act on their own. The working class must proceed from being "a class that merely exists as a matter of fact" to being "a class with its own volition" before it can serve as the underpinnings for revolutionary and construction projects. The party must therefore strengthen its leadership of the working people, show concern for them, educate them and organize them, and heighten their awareness and sense of unity so that the working class may become even more powerful and dependable. If we have a good understanding and make good use of this relationship, we may rest assured that not only our economic construction projects, but also the entire range of socialist projects will be placed on a sound basis.

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